



## 7. PURCHASING

One of four forms is used to purchase goods or services at the agency level. They are:

- Field Purchase Order (Form P-8) for purchases under \$500;
- Requisition (Form P-4) for non-contract purchases over \$500;
- Requisition (Form P-28) for contract items over \$500; and
- Printing Order (Form BGS-1) for graphics services.

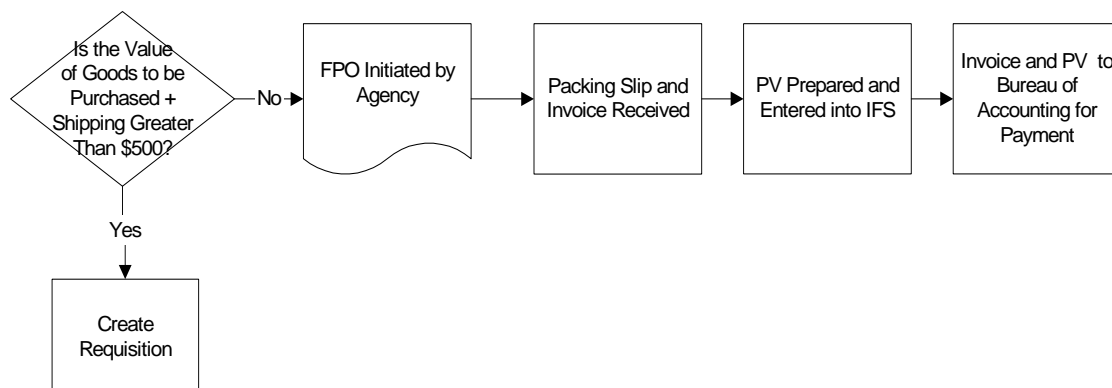
With the exception of Field Purchase Orders, which are delivered to the vendor directly by the agency and are therefore not seen by the Bureau of Purchase and Property ('Purchasing') until they are paid, each of the forms listed above originates at the agency and then goes through Purchasing so that a Purchase Order (PO) can be cut.

Each form will be described in more detail below.

### 7.1 Field Purchase Order

Agencies do not have to go through Purchasing on goods or services valued at less than \$500 (including shipping). Instead, the agency completes a Field Purchase Order (FPO) that it sends directly to the vendor.

After the FPO is typed up and approved at the agency level, the original is sent to the vendor and a copy is filed by the agency until the packing slip arrives. When the packing slip arrives, the agency matches it to the FPO and files it again until the invoice is received. When the invoice is received, it is matched to the FPO and the packing slip. One reason the invoice and the FPO amount may differ: shipping instructions include Prepay and Add, FOB Destination, and Special; if FOB Destination is checked, the State will not pay shipping. If all goods have come in and if everything matches, the agency prepares the Payment Voucher (PV) referencing the FPO number. The PV is then forwarded, along with the invoice and a copy of the FPO, to the Bureau of Accounting for payment. The agency also forwards a copy of the FPO to Purchasing.





### **7.1.1 Business Rules**

Below is a list of the business rules for FPOs.

- There's a rule that states that no agency shall order the same item from the same vendor by using two or more consecutive FPOs to split orders which total more than \$2,000. Agencies may try to get around this rule because the FPO process is so much easier than the requisition process.
- Purchasing reviews the FPOs it receives, looking at commodities purchased to see if a contract can be established for them – or if a contract is already in place, to question the agency as to why it created an FPO instead of a requisition.
- The maximum amount for an FPO for computer equipment is \$250. Purchasing computer equipment between \$250 and \$500 on an FPO requires the approval of the Chief Information Officer. The new system needs to be able to flag certain commodities.

### **7.1.2 Issues / Vision**

Below is a list of issues with the existing system, as well as needs for the new ERP system.

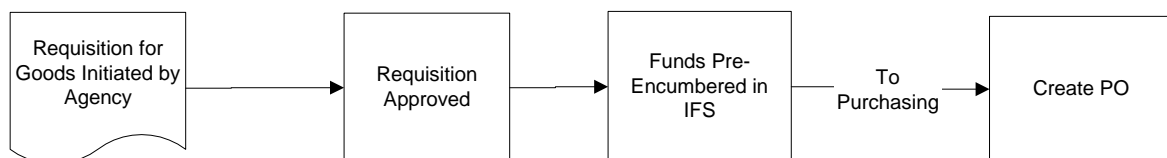
- There is a need to obtain FPO transaction history in a timely manner.
- There is a need to establish multiple-level security clearance for users to generate FPOs in the new system.
- If there's a need to continue to have forms for the security clearance referenced in the bullet above, those forms must be made available electronically.
- It would be nice to have system-generated FPO forms.
- It would be nice to have an online approval process for FPOs.
- It's important to have a paperless system – starting with the requisition process and ending with the payment of goods.
- A credit card process may be replacing the FPO process. A pilot will be conducted with the Department of Transportation. The new system needs to accommodate any eventual credit card process.
- The new system should allow a user to attach a Word document or scan a specification to a requisition (and Printing Order).
- The new system should, after the user populates the FPO, search for like or similar orders that the same unit had placed in the past and this information should appear in a pop up window to alert the user of the previous purchase. This will help users identify if a recent order, perhaps placed by someone else, that would now meet this user's needs is en route. It will also provide insight into FPO purchasing patterns for better fiscal management.



- The new system should allow an FPO to be kept in “suspense” in case the user needs to obtain more information that they have to wait for or if they have to make a last minute change to the FPO before seeking final authorization for the purchase.
- The system should allow for transmittal of the FPO or PO in several formats – e-mailing to a vendor, sending to a vendor’s fax, or hardcopy printing (for employee picked up purchases).
- The system should allow for the FPO to be exported to either Word or Excel. This will help agencies feel more comfortable with record retention issues and help the State ensure that printing hardcopies and storing them are minimized – an important cost savings consideration.
- The unique numbering of FPOs should involve logic that helps identify the agency, date, or something similar. This will help users remember the FPO number if they need to go into it multiple times, it will help search for a FPO, and may be instrumental in querying the system for reporting or analytical purposes.

## 7.2 Requisition for Non-Contract Purchases over \$500

The requisition process is used for goods and services over \$500. Agencies fill out the three-part form. Once approved, the original goes to Purchasing. The other two copies stay within the agency – one is filed by the originator, and the other goes to the agency finance department where the funds are pre-encumbered in New Hampshire’s Integrated Financial System (IFS).



### 7.2.1 Business Rules

Below is a list of the business rules for requisitions.

- Names and addresses of companies that have furnished the agency requisitioner with information should be noted on the requisition as suggested vendors.
- When an item is a repeat purchase, the requisitioner should reference the previous requisition number and purchase order number to help expedite the request.

### 7.2.2 Issues / Vision

Below is a list of issues with the existing system, as well as needs for the new ERP system.



- Agencies need to be able to transfer requisitions electronically to eliminate the paper process.
- Sometimes requisitions are not completely filled out, which costs the data entry clerk or purchasing agent time in tracking down the necessary information.
- The new system must assign a unique number by agency for each requisition.
- The new system should allow for multiple purchase orders to be assigned to one requisition as well as allow for multiple requisitions for one purchase order.
- The new system should check for valid commodity and appropriation codes when a requisition is entered at the agency.
- The new system must check for availability of funds for each requisition.
- The Department of Transportation is developing a MATS system that must be able to import/export data to the new system.
- There must be checks between the commodity code and class and/or object code.
- There is a need for the ERP system to go out to at least the fifth decimal point on all dollar amounts.
- The new system needs the ability to identify federal vs. state funds.
- There must be a way to search for vendors by name and number.
- The system should be able to identify “like” commodities that have been ordered.
- The system should identify if the purchase fits in a fixed asset category.
- The system should provide a status of requisitions for all users. Examples of categories: date the requisition was created, approval status, bid release date, bid opening date, who the requisition is assigned to, completion date.
- The State should have a system that tracks and documents vendor performance such as: delivery dates, quality of products and other measures of vendor performance. A historical record that shows if the vendor provided a good/service according to the promised delivery date, number of returns, short shipments, etc. This could help contribute to the future bid evaluation of a vendor.
- The State should eliminate the P-28 form. If a contract is in place the requisition will be routed by the system for Purchase Order approval. If no contract is currently in place, the requisition will be assigned to the respective purchasing agent for bidding purposes.
- The system should have the same requisition form that can be used across agencies. This requisition form should also include a comment section.
- There needs to be a better capability to search for requisitions.

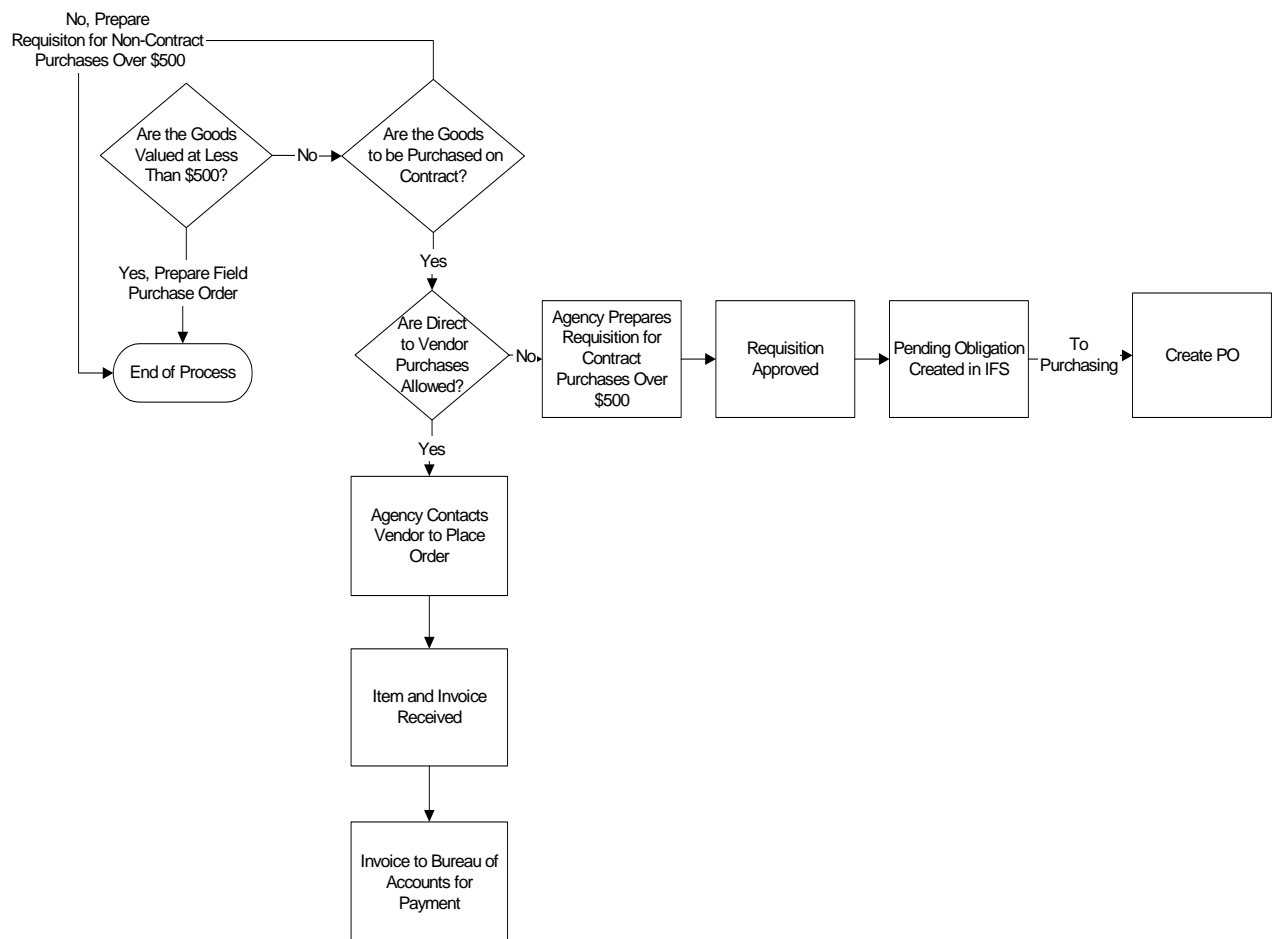


- The unique number assigned to the record should include similar logic as referenced in the FPO section above.
- The requisition should be able to be exported for the same reasons referenced in the FPO section.
- The requisition should be able to be cancelled at any time (prior to purchase).
- The requisitions should be able to accept multiple appropriation codes and job numbers having a minimum of 8 digits in the sub org or field.
- If a PO is rejected, funds should be unencumbered.
- The user should not be able to send the requisition until all mandatory fields are completed. If a vendor number is unknown, the user should be able to put in a name or at least have a dropdown list of vendors. Additionally, the entering of a name should prompt an auto search through existing vendors – the results of which would populate a dropdown of closest matches allowing the user can select the correct one.
- It is important in the new system to be able to identify current contracts. If the vendor has a current contract, a PO can be cut immediately. If not, the contract must go through a bidding process.

### **7.3 Requisition for Contract Items over \$500**

Contracts are established in Purchasing. A Notice of Contract is sent out to the vendor and to the agencies describing the contract number, the commodity to be purchased, the contract period, the terms, the prices, and any ordering information.

A P-28, or Agency Requisition Order, is used by each agency to purchase goods or services on contract and over \$500. Most orders, perhaps 90 percent of them, can be done directly with the vendor – meaning a P-28 form is not needed. Ordering furniture and computer equipment are two examples where the P-28 form is still used, and that is because there are approval levels associated with them. There are two main differences between this requisition, and the requisition described above. First, unlike a requisition for non-contract purchases over \$500 that gets pre-encumbered, a requisition for contract purchases doesn't get pre-encumbered. Instead, it remains in IFS as a pending obligation. Second, the requisition number becomes the purchase order number. That is, the purchasing agent does not create a new form to send to the vendor.



### 7.3.1 Business Rules

Below is a list of the business rules for requisitions.

- Agencies would like to have the ability to view a bid before it is advertised. Currently, agencies must work with the purchasing agent to review and finalize a bid.

### 7.3.2 Issues / Vision

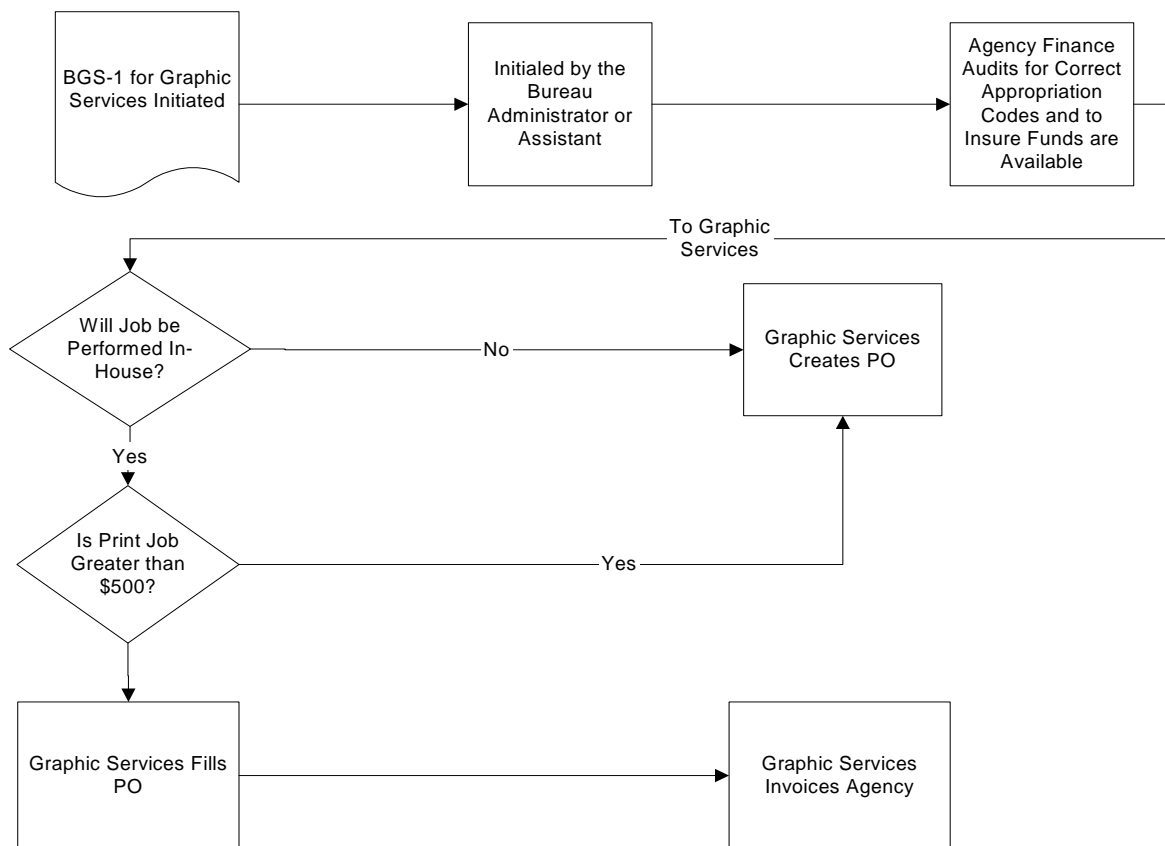
Below is a list of issues with the existing system, as well as needs for the new ERP system.

- Many orders don't require the P-28 form. Without it, there's no PO history within Purchasing.



## 7.4 Printing Order

The Department of Graphic Services uses its own form for agency orders of graphic supplies. The BGS-1 form goes through the same process as a requisition. It is filled out and then approved by the requesting agency before going to the agency finance department where it is audited for the correct appropriation codes and to make sure funds are available. If funds are available, the completed form is sent to Graphic Services. If the print job is less than \$500 and can be completed in house, Graphic Services completes the job and invoices the agency. If the print job is for more than \$500 or must be outsourced, a PO is created.



### 7.4.1 Issues / Vision

Below is a list of issues with the existing system, as well as needs for the new ERP system.

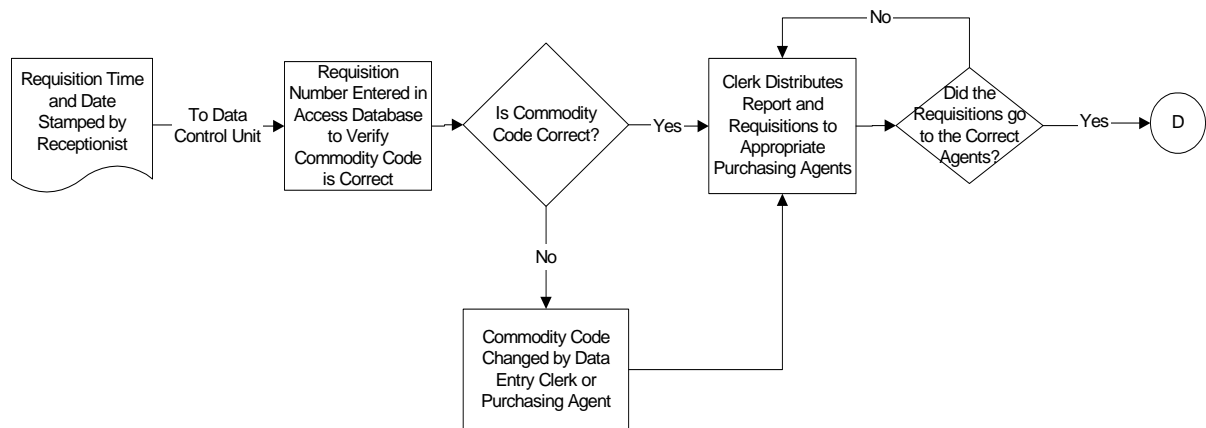
- Agencies need the ability to transmit these forms electronically.
- It would be nice to have business card standardization. That could mean prescribed formats/templates such that the user only needs to provide his/her name, phone number, and e-mail address.



## 7.5 Creating a Purchase Order

Everything but the FPO will come to Purchasing, usually by hand, so that a PO can be cut. Once a requisition is received in Purchasing, it is time and date stamped by the receptionist and then taken to the Data Control Unit where the Data Entry Clerk ('clerk') enters the requisition number into an Access database. This database returns limited information, but the clerk is able to review the commodity code to insure that it's the correct one for the goods being requested. (Requisitions with commodity codes that have the incorrect number of digits or that are invalid in the IFS Commodity Code Table will error out in IFS, so they won't be seen in the Access system.) If any changes are needed, the clerk can make them him/herself, leave it up to the Purchasing Agent ('agent'), or contact the agency for clarification.

There are six agents within Purchasing. Each is responsible for a range of commodity codes. The clerk on a daily basis produces a report of the requisitions generated, and then gives that report, in addition to all of the hardcopy requisitions received, to the appropriate agent. If an agent gets the wrong requisition, it goes back to the clerk for re-distribution, and the agent's initials are also changed in the Access database.



The agent looks through his or her report and prioritizes the requisitions to be handled. If the requisition is for goods or services valued over \$2,000, the requisition has to be bid out or sole sourced.

### 7.5.1 Competitive Bids

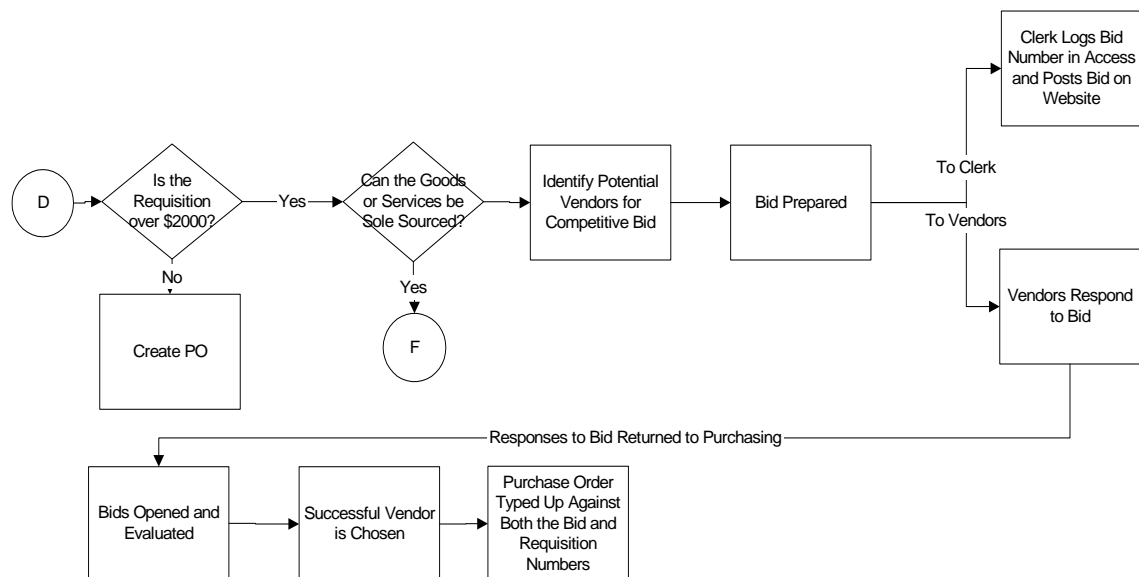
For requests for items over \$2,000, the competitive bid process is initiated. To begin, specifications are defined. This may require a discussion with the agency initiating the requisition to find out what exactly is needed.





The agent next develops the bid format and identifies a field of potential bidders. The final bid document is prepared by the agent's assistant and forwarded to potential bidders via fax, e-mail, or regular mail. A copy of the bid is also submitted to the clerk, who logs in Access the bid number against the requisition number and posts it on the Purchasing website under "Current Bids and Proposals."

Bids come back, and they are then opened and evaluated. The successful vendor is chosen. A purchase order is typed up against both the bid number and the requisition number.



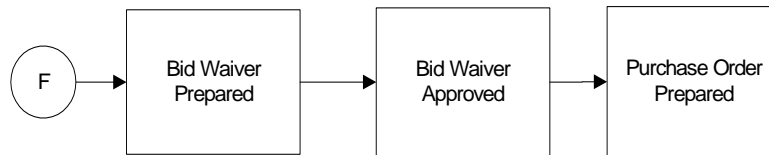
### 7.5.1.1 Issues / Vision

A list of existing business rules and problems related to competitive bids follow.

- The bidding process does not tie into IFS until a PO is issued.
- Digital signatures are needed on all documents requiring approval. This is especially important in the bidding process because it would allow the State to accept bids electronically.

### 7.5.2 Sole Source

If the requisition is over \$2,000 and if there's a compelling reason to waive the bid process (can't get the goods anywhere else or there's a need to match existing equipment, for example), a bid waiver is needed. This waiver, explaining why sole sourcing should be used instead of competitive bidding, requires three approval signatures – including that of the Commissioner.



### 7.5.2.1 Business Rules

Below is a list of the business rules for sole sourcing.

- Whenever a specific brand, make, or model or sole-source provider is required, the justification must specifically state why the specific brand, make, or model is requested and why others are not acceptable. If the agent determines that there is insufficient evidence of need for the specific brand, make, or model or sole source provider, the request is rejected.

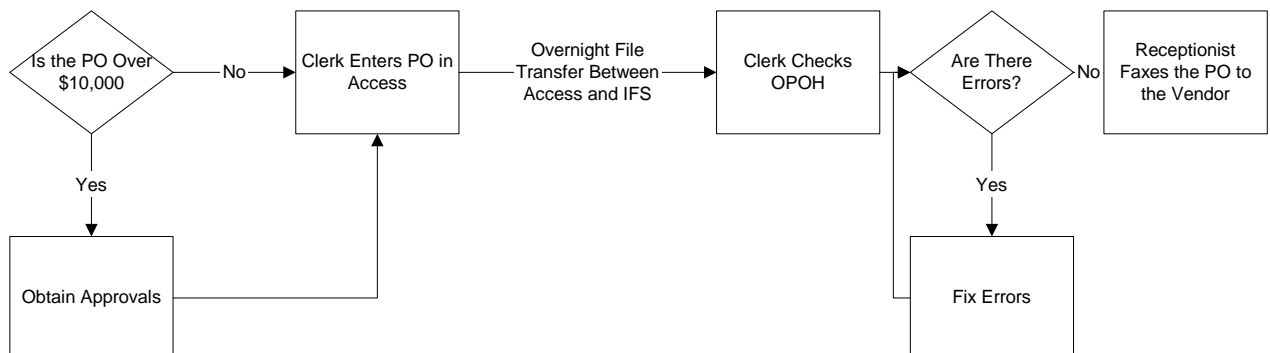
#### *Creating a Purchase Order*

For those requisitions under \$2,000, the agent can cut a PO without checking on pricing. As mentioned above, there are additional steps required with the initial processes for requisitions over \$2,000, but the end result is the same: creating a PO.

A PO over \$10,000 will require approval. However, all POs regardless of value go to the clerk who enters the PO in Access, referencing the requisition. An overnight file transfer takes place between Access and IFS to encumber the funds. If there are errors, the clerk will bring it to the attention of the agent or the agent's assistant.

The clerk will check the OPOH (Open PO Header) in IFS to make sure the following are correct: vendor number, PO number, PO amount. If there's a minor problem, the clerk can fix the problem in IFS; if it's not a minor problem, the clerk may talk to the agent. And if the PO has rejected because of a lack of money, the clerk will contact the agency.

If everything appears okay in IFS, the PO goes to the receptionist who faxes the PO to the vendor.





An incoming P-28 is handled a bit differently. A P-28 form could be filled with data-entry errors, but unlike a P-4 with errors, the P-28 will still appear in Access since Access sweeps the IFS Suspense File to get all of them.

Once the agent reviews the P-28, it is sent to the clerk, who goes into the suspense file in IFS and performs a quick edit to make sure the money is still there. If there are no problems, the clerk approves it. After the overnight file transfer, the clerk checks OPOH in IFS to verify the vendor number, the P-28 number, and the amount are correct. It then goes out to the receptionist who faxes it to the vendor, with two copies to the initiating agency and a copy to the Bureau of Account. Purchasing also files a copy.

### **7.5.3 Emergency Purchase Orders**

This is an abbreviated process of the steps above. An agency will contact the purchasing agent directly, giving that agent justification for the emergency PO, a requisition number, and an appropriation code over the phone. If the agent finds sufficient justification for the emergency PO, and if the PO is less than \$2,000, the agent will give a PO number to the requesting agency – which in turn puts that PO number on the requisition. Someone at this agency, then, does two things: 1) calls the vendor with the PO number and 2) sends the requisition, with the PO number already on it, to Purchasing where the steps above, under “Creating a Purchase Order,” take place.

#### **7.5.3.1 Business Rules**

Below is a list of the business rules for emergency POs.

- If the emergency PO is over \$2,000, a bid waiver needs to be approved by the Commissioner.

#### **7.5.3.2 Issues / Vision**

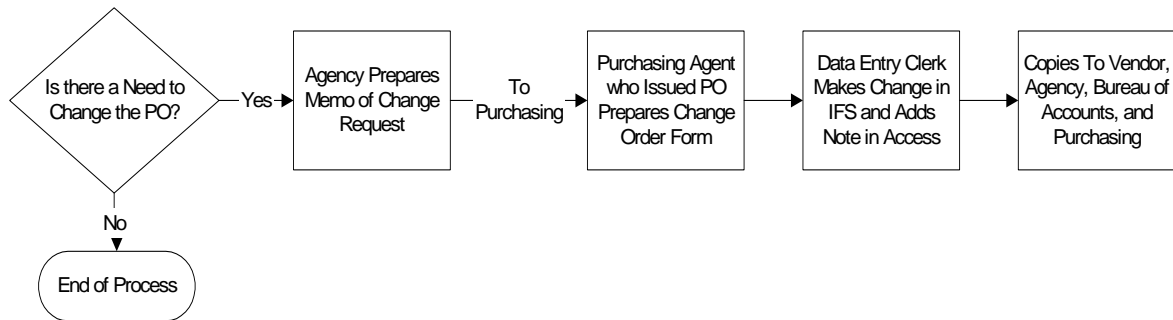
Below is a list of issues with the existing system, as well as needs for the new ERP system.

- The new system needs to accommodate these emergency purchase orders

### **7.5.4 Purchase Order Changes**

Changing a PO is usually initiated at the agency level. If there's a price change, the vendor will most likely contact the agency. Or, for example, if there's a need for a quantity change, the agency can contact the vendor. Either way, a Memo of Change Request is sent to the agent who issued the PO. This agent creates a Change Order Form to make the requested change, approves it, and sends it to the clerk. The clerk makes the change in IFS and adds a note in Access (which will continue to show the original amount even if a price change is made).

Copies of the Change Form go to the vendor, Bureau of Accounts, and the originating agency. A copy is also filed in Purchasing.



#### 7.5.4.1 Issues / Vision

Below is a list of issues with the existing system, as well as needs for the new ERP system.

- A variance table needed for electronic match. Currently, the agency must do a Memo of Change Request to Purchasing and to the Bureau of Accounts if the invoice is different from the encumbered Purchase Order by any amount.
- Purchasing databases are needed and should include vendor history and performance; agency history; purchasing agent history and performance; purchase price history and variance; contract history; work files for control of open requisitions and open orders; open contracts with bid calendar relationship; and receipt interface with open order file.
- Agencies will need to identify if the purchase is sole source and have the ability to provide back up documentation electronically.
- The system needs to be able to recognize dollar amounts and send the purchase order to the appropriate approval level.
- The system needs to support partial payments and pre-payments.

## 7.6 Vendor Registration

A payment must be tied to a vendor code. A list of these vendor codes is maintained by Purchasing – which adds to this list whenever a request is made to do so.

There are two different processes for registering a vendor. First, a vendor can, usually by e-mail or fax, request to be added to the State's Approved Bidders List. This list allows registered vendors to competitively bid on proposals from the State. Second, an agency can request that a vendor be added to the list so that the agency can make a payment to it. Both will be discussed in detail below.



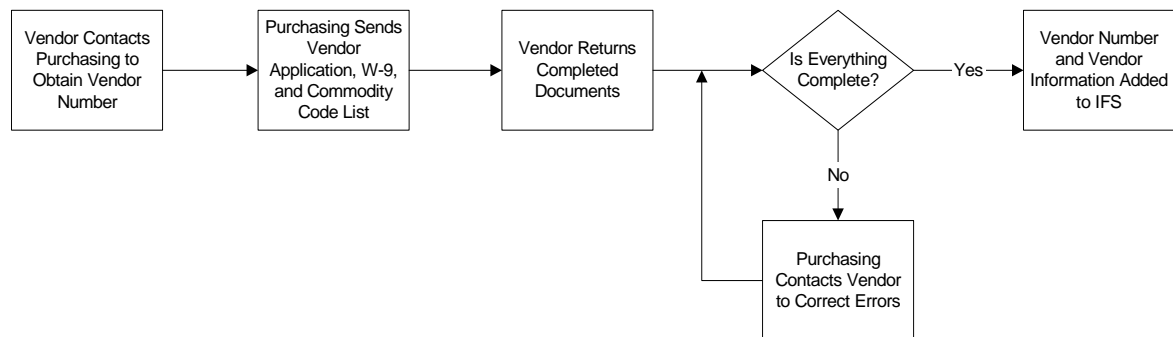
### 7.6.1 Vendor Registration - Purchasing

A vendor is not required to have a vendor number to make a bid, but it must obtain a number right away if it wins the award. Purchasing does allow one PO to go out without the required vendor code. Actually, Purchasing pre-assigns it. The code 'ENC' in the Prime Number field in IFS means that Purchasing doesn't have the vendor paperwork on file. If the PO is under \$2000 and if the order is for a non-service, the PO will go out with a package of information so that the vendor can apply for a number. A second PO will not be sent out until the information is returned.

The process for obtaining a number is straightforward. A four-part document is sent from Purchasing to the vendor when a written request is received or when a PO is issued to vendor that doesn't already have a vendor code. The four-part document includes a cover letter, vendor application, W-9, and a commodity code list.

The vendor fills out the application and the W-9. If an incomplete W-9 is submitted, Purchasing will obtain the necessary information either from the application or by calling the vendor if the Federal ID has been left off. The application includes information like name, type, and location of the business; references; and products offered. For products offered, the commodity list is used to tell Purchasing exactly what goods or services the vendor offers. This relationship between vendor and commodity is shown in the Commodity Vendor Table (COVE) in IFS, which displays all the vendors that sell a particular commodity.

The vendor returns the documents to Purchasing, which assigns a vendor code to the vendor and enters that code into IFS – indicating that it's a purchasing vendor by adding a 'p' to the second screen in vendor table. IFS transfers the new vendor information to Access overnight.



When a vendor package is sent out, there is no number pre-assigned – unless, as above, it goes out with a PO. A number is only assigned when the package is returned completed. If the package doesn't come back, payment for first PO is made but no other POs will be sent out. Any vendor number with no activity is purged after two years; therefore, a pre-

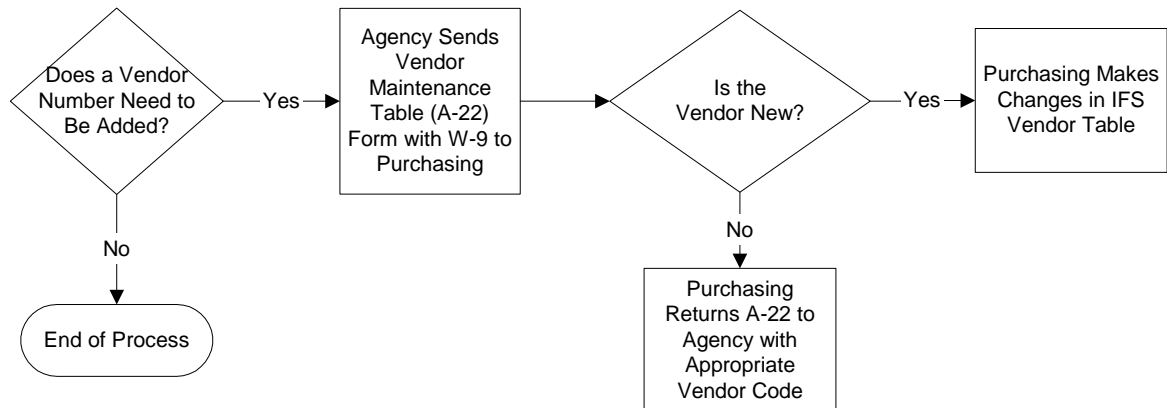


assigned vendor number will stay on the vendor table in IFS for two years even if the package isn't sent back.

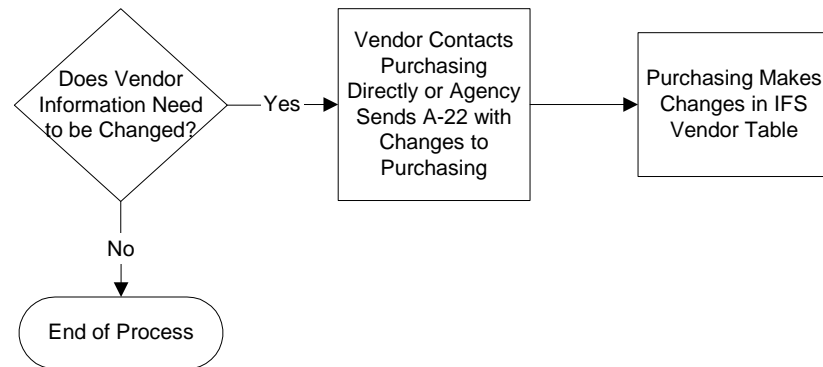
### 7.6.2 Vendor Registration - Payments

When an agency needs to pay a vendor and can't find that vendor in the system, it can: 1) use a miscellaneous vendor code (eleven zeroes) for a one-time payment totaling less than \$600 on a non-service item or 2) send to Purchasing a Vendor Maintenance Table (A-22) form and the vendor's W-9 – which may not be required if the vendor has sent a letter to the agency saying that it is exempt from federal withholding.

These forms are reviewed by Purchasing. Sometimes the vendor is actually in the system, and if so, Purchasing sends the A-22 back to the requesting agency with the appropriate vendor code. If it is truly a new vendor, a vendor number is assigned and added to IFS. If this new vendor is a purchasing vendor, Purchasing will put a purchasing indicator in IFS.



If vendor information needs to be changed, either the vendor, or the agency through use of the A-22, contacts Purchasing directly where the change is made in IFS. The A-22 is not returned in this case. The requesting agency just has to look in the system to insure that the change was made.



### 7.6.3 Business Rules

Below is a list of the business rules for vendor registration and maintenance.

- A vendor shall not be allowed to compete for a bid if that vendor has 1) refused to perform after being awarded a contract, 2) failed to comply with specifications or otherwise breached a contract, 3) engaged in prohibited conduct, or 4) declared bankruptcy. A notice of vendor disqualification will be sent stating one or more of the reasons above and will take effect 15 days after the date of the notice unless the vendor requests a hearing.

### 7.6.4 Issues / Vision

Below is a list of issues with the existing system, as well as needs for the new ERP system.

- There must be the ability for vendors to download vendor applications, or make changes to existing information, online.
- Vendors will be responsible update the vendor application online
- There is a need for a vendor default file ('bad vendor' file) for vendors that default on a contract or PO.
- Vendors will be responsible to update the commodity list online.
- There is no tie-in between vendor registration with the Secretary of State (for a fee) and Purchasing (no fee). If a vendor doesn't register every two years with the Secretary of State, that vendor shouldn't be used in purchasing – but there's no cross-reference to insure that this doesn't take place. There should be electronic vendor registration with integration to the Secretary of State.
- There is no web-page interface with contract vendors to allow direct order of products and/or services.



- There is no ability for a vendor to view all existing contracts and download contracts if necessary.
- There is no ability to alert vendors of a purchase opportunity, and no ability to receive bids electronically.
- The new ERP system should accommodate the purchasing process electronically from the initiation of a requisition to issuing the purchase order including workflow.
- The new ERP system should utilize an electronic requisition form that provides for one time data entry.
- The new ERP system should be able to provide electronic ad hoc reports and account information to state agencies for cost accounting purposes.
- The system should track if a vendor is ADA compliant and/or meets other federal/state requirements. This information should be accessible to the user when it is necessary to ensure compliance with these regulations.
- The new system will need to link to a data warehouse system.
- If fleet management and fixed assets become centralized, then the purchasing system will need to provide the critical data required for the fleet management and fixed asset system.
- The system needs to accommodate and encourage electronic payments by utilizing electronic payments as a default.
- In addition to confirming the W-9 submittal, the ERP system should be able to link to the Secretary of State site to confirm that a vendor is in good standing before authorizing a vendor code. In addition, it would also be desirable to have the vendors linked with a central data warehouse to submit their insurance certificates and certificate of vote. By having this process in place, it could eliminate the need for state agencies to obtain original certificates of good standing, authorization to vote and insurance certificates for each contract as currently required by the Attorney General's office.
- The system needs to accommodate independent vendors that the State uses to perform ancillary services.
- The system needs to accommodate LBIs (publications and memberships).
- The system needs to identify contract items and forward to proper destination.